# Financialisation vs Sustainability: A Polanyian Moment?

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# Is there a distinction: Real/Financial Economy?

- 40 % of profits in US NON-Financial corporations from financial activities
- Speculation increases:

- Average holding of shares in the US: 7 years → 7 months 1945-2007

- High Frequency Trading: down to miliseconds; HFT 70 % US shares, 30-40 % Europe

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# Is there a distinction:
# Real/Fictitious Economy?

Sayer: two kinds of investments

- Use value/object oriented
- Exchange value/investor oriented

Piketty: no distinction capital – wealth

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# ”Excessive” financialisation

- Prices less relationship to fundamentals = definition of ”excessive”. Eg: pure speculative trading in wheat: 30 %→80 % (1998-2008)
- More contagion, more fungibility of markets (substitutability, flexi crops: soy, sugar, wheat, maize…)
- Financialisation 10-20 % of level and volatility changes; Merril Lynch: + 50 % of price level

# ”Excessive” financialisation

| Years to pre-crisis GDP level |
| --- |
| One year: Spain 1977 |
| Two years: Japan 1992, Korea 1997 |
| Three years: Norway 1987, Mexico 1994, Hong Kong 1997, Malaysia 1997 |
| Five years: Sweden 1991 |
| Six years: Indonesia 1997 |
| Seven years: Thailand 1997 |
| Eight years: Finland 1991, Colombia 1998, Argentina 2001 |

# A Polanyian Moment?

- Keynesian responses post-2008
- Re-Regulation of the financial sector: Dodd-Frank Wall St Reform Act more inclusive control (partly restore Glass-Steagall Act)
- Increasing transparency of tax havens
- The Keynesian turn of the IMF: less contractionary policies, less conditionality
- Financial Transaction Tax (11 EU members)
- Counter-cyclical reserve requirements
- Limits on bonuses and wages?

# For discussion

- Is financialisation new or recurrent?
- New AND recurrent?
- Is finance serving industrial capital? Or is it the other way around?
- Are they merged, impossible to distinguish?